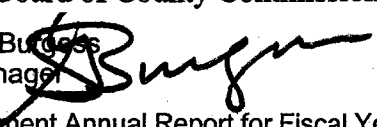


# Memorandum



**Date:** January 25, 2007

**To:** Honorable Chairman Bruno A. Barreiro, and  
Members, Board of County Commissioners

**From:** George M. Burgess  
County Manager 

**Subject:** Prompt Payment Annual Report for Fiscal Year 2006

Agenda Item No.  
12(B)4

Pursuant to Administrative Order No. 3-19 regarding Prompt Payment, below is the annual report of interest payments made to County vendors during the fiscal year ended September 30, 2006.

## **BACKGROUND**

Miami-Dade County's Prompt Payment Ordinance No. 94-40, as amended by Ordinance No. 94-106, directs the County to pay its vendors in a prompt and timely manner, and provides for expedited payment to small businesses. The ordinance stipulates that payments to small businesses are due within 30 days of receipt of a proper invoice from small businesses and 45 days for all other businesses. Vendors may charge interest to the County and the Public Health Trust for late payments. Where such interest charges apply, interest is calculated on the unpaid balance compounded at the rate of one percent per month and shall accrue for a maximum of 12 months.

During FY 2005-06, the County made purchases totaling \$6.315 billion. The table below is for informational purposes and summarizes the payments made for purchases during FY 2005-06. Payments to vendors, in accordance with the contract terms, are normally made using checks, wire transfers, or Automatic Clearing House (ACH) payments.

Organization	Payment Vouchers Issued	Equivalent Number of Payments Made (Checks/ACH)	Amount Paid
<b>General Segment Departments</b>			
General Operating Account	648,561	197,005	\$4,569,627,288
Special Services Account	74,626	74,626	34,511,283
Manual Emergency Checks	4,885	4,424	154,648,498
<b>Subtotal</b>	<b>728,072</b>	<b>276,055</b>	<b>\$4,758,787,069</b>
<b>Decentralized Departments</b>			
Aviation	26,296	8,124	\$504,345,596
Housing	357,020	129,469	210,155,595
Water and Sewer	111,126	26,861	236,762,384
Public Health Trust	157,830	21,329	605,207,859
<b>Subtotal</b>	<b>652,272</b>	<b>185,783</b>	<b>\$1,556,471,434</b>
<b>Grand Total</b>	<b>1,380,344</b>	<b>461,838</b>	<b>\$6,315,258,503</b>

In FY 2005-06, total interest payments of \$14,743 were reported as of September 30, 2006. Interest payments were made to five (5) vendors due to delays in processing invoices for payment. Additionally, some vendors offer early payment discounts to the County, of which the County took advantage resulting in savings of \$342,322.

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**Late Payments Interest Charges and Early Payment Discounts**  
**(Fiscal Year 2005-2006)**

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Organization	Late Payment Charges	Early Payments Discounts Taken
General Segment Departments	\$1,086	\$47,699
Aviation Department	0	0
Housing Agency	0	0
Water and Sewer Department	41	0
Public Health Trust	13,616	294,623
<b>Total</b>	<b>\$14,743</b>	<b>\$342,322</b>

**CONTINUING TO IMPROVE RESPOSIVENESS**

The County works continuously to encourage vendors to sign-up for the ACH method of payment. ACH payments improve vendor cash flows by depositing County remittances directly to vendors' bank accounts, making funds available to the vendors within 24 hours of processing. Since this payment option is a transfer of funds directly to vendors' bank accounts, it serves to reduce the number of paper checks, mailings and outstanding reconciling items in the bank. The County will continue to promote this payment option as it provides benefits to the vendors and County alike. Payments paid through ACH increased from \$3.495 billion in 2005 to \$3.935 billion in 2006, a 12.6 percent increase.

One of the major initiatives at the Finance Department is to track the timeliness of vendor payments, as well as responsiveness to the vendor community. Vendor payments are tracked from the date the invoice is received by the County to the date a payment is issued to the vendor. In 2006, 84 percent of invoices were paid within one to 45 days. County departments are continuously working to enhance efficiency in the payment process to increase the timeliness of payments to vendors, as well as continue to take advantage of early payment discounts.

Another measure that has improved the County's responsiveness to vendors is the use of purchasing cards. The County's purchasing card program has been in existence since 2000 and currently over 50 County departments have signed up to use the program for small purchases, registrations, on-line purchases and for emergency purposes. In 2006, purchasing card usage increased by 25 percent to \$3.1 million. Additionally, the travel credit card program, initiated subsequent to the termination of the travel agency contract, has been in existence since May 2004. The Finance Department has issued travel cards and trained departmental travel liaisons on the use of the cards to book travel arrangements, specifically air travel arrangements. In 2006, travel card usage increased by 35 percent to \$1.2 million. These programs generate a rebate based on the total dollars spent, resulting in \$29,681 worth of rebates since inception.

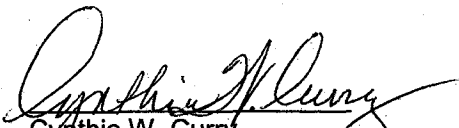
**OTHER INITIATIVES TO ASSIST VENDORS**

The Vendor Payment Inquiry (VPI) website enables vendors to inquire on the payment status of their invoices and check/ACH payment information, which provides a 24-hour self-service "window" into the

payment process and facilitating continuous communications between the County and the vendor community. During 2006, more enhancements were incorporated including an on-line survey that solicited feedback from the vendors for potential improvements, including a feature that enables vendors to retrieve payment information based on Purchase Order or Contract Number. The upgrades will also provide vendors with the capability of inquiring on payment information for all their available addresses listed and active within Miami-Dade County.

The Construction Contracts Payment Administration Module was implemented for all new and converted construction contracts in order to assist management with the following:

- Monitoring of the payment process cycle by capturing invoice receipt, approval, and final payment dates (this information is also available to vendors on the Vendor Payment Inquiry Website);
- Tracking authorized amounts, related change orders, and payments associated with construction and other non-goods-and-services contracts;
- Tracking remaining contract balances and related retainage balances when applicable; and
- Taking advantage of electronic approval and workflow processing.



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